



WASHINGTON BUREAU · NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

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**STATEMENT OF MR. HILARY O. SHELTON
DIRECTOR
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ON MORTGAGE SERVICING PRACTICES
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES**

July 25, 2008

Good morning. My name is Hilary Shelton and I am the Director of the Washington Bureau of the NAACP, our Nation's oldest, largest and most widely-recognized grassroots civil rights organization. We currently have more than 2,200 membership units in every state across the country; the Washington Bureau is the legislative and public policy arm of the NAACP.

I would like to begin by thanking you, Chairman Frank, as well as Congresswoman Waters and Ranking Member Bachus for all the time and energy you have spent, and continue to exert, trying to help homeowners across our country who are facing foreclosure.

I come before you today because the mortgage foreclosure crisis is reaching staggering proportions all across the Nation. In the month of June, more than 250,000 homes were at some stage in the foreclosure process; this number is up by more than 53% over June of 2007¹.

Furthermore, African Americans and other racial and ethnic minority Americans are being disproportionately affected. Nobody disagrees that the foreclosure crisis is being driven by the high number of predatory loans made within the last few years, and according to the most recent study by the National Community Reinvestment Coalition, in 2005 African Americans of all income levels were twice as likely or more than twice as likely to receive high cost loans².

¹ Realty Trac, www.realtytrac.com

² National Community Reinvestment Coalition, *Income is No Shield Against Racial Differences in Lending*, July 2007.

Last year, in 2007, the NAACP held its 98th annual convention in Detroit, Michigan, the city with the highest foreclosure rate. Earlier this month, we held our 99th annual convention in Cincinnati Ohio, the state with the highest foreclosure rate. Needless to say, for the last two years we have been hearing first-hand from people who are in one stage of foreclosure or another. These are real, hardworking people whose lives are being shattered and the worst part is that we know that they are, sadly, only the beginning.

For over a year now I have likened African Americans to the canary in a coalmine when it comes to the foreclosure crisis. For decades predatory lenders targeted African Americans and other racial and ethnic minority Americans with their unscrupulous products. As study after study clearly demonstrated, and as I have previously stated in testimony before this committee, the African American community in the United States has been and continues to be disproportionately devastated by predatory lenders. Thus, when the foreclosure problems began it was African Americans who were again at the forefront of the crisis and we continue to be disproportionately effected by what is quickly becoming a national catastrophe.

So I have come up to Capitol Hill, to this very room as a matter of fact, many times in the past couple of years sharing our concerns and working with you to aggressively help address a problem which is so large in scope it is almost inconceivable.

The purpose of today's hearing, to look at the role of mortgage servicers, is laudable as they clearly play a significant role in both the creation of a constructive and sustainable loan modification as well as the foreclosure process. Yet I hope that we will look at the big picture, and examine the relationship between servicers and the homeowner / consumer who is facing foreclosure.

Currently, the servicer has almost, if not all, of the power and control. There are several proposals currently before Congress to change that dynamic; proposals that the NAACP supports and views as necessary if we are going to offer real help to the millions of American families whose homes are at risk.

First, there is the proposal by Congresswoman Waters, H.R. 5679, the *Foreclosure Prevention and Sound Mortgage Servicing Act of 2008*. This legislation requires a homeowner or servicer to pursue specified priority loss mitigation activities such as waiving late fees and other charges, establishing an affordable repayment plan or loan modification, forbearance or a short refinancing before a home may be foreclosed.

The NAACP also supports H.R. 6076, the *Home Retention and Economic Stabilization Act of 2008* introduced by Congresswoman Matsui of California. This legislation places a moratorium on home foreclosures for 9 months to allow

homeowners to find and take remedial action. It also requires home mortgage servicers to provide advance notice of any upcoming reset of the mortgage interest rate. I would note that this moratorium is similar to the one that was called for by the NAACP and other civil rights groups more than a year ago, in April of 2007.

Lastly, the NAACP strongly supports, as I know does the Chairman and several members of this committee, H.R. 3609, the *Emergency Home Ownership and Mortgage Equity Protection Act of 2007*. This important, bi-partisan legislation would allow courts to supervise loan modifications, effectively mediating between lenders and homeowners.

All three of these bills would provide consumers / homeowners facing foreclosure with some much-needed tools, whether it be the requirement that mortgage servicers work with them to try to avoid foreclosure, or a cooling out period to allow homeowners time to try to modify their mortgages and stay in their homes or allowing the courts to try to mediate a modification. All three of these bills would require the financial services industry to do more to help avoid foreclosures; heretofore all successful attempts to address this crisis, while laudable, have been based on the holders of the loan acting on a purely voluntary basis to try to avoid foreclosures.

Furthermore, all three of these pending measures that the NAACP supports would not require a dime from the U.S. Treasury; no taxpayer money would be spent. So we would be helping homeowners facing foreclosure at no expense to the American public.

Finally, a few words specifically about the mortgage servicers industry. As I said earlier, mortgage services are an integral part of both the process of developing constructive and sustainable loan modifications as well as the foreclosure process. That is why, given the huge number of Americans whose lives these people will touch, the NAACP would like to see more regulation and monitoring of the industry. Specifically, we would like to know that not only are they trying to save Americans' homes, but that they are trying to save all Americans' homes, regardless of the borrowers' race or ethnic background with the same vigor.

Given the history of disparate treatment of African Americans by the financial services industry in our Nation, one cannot blame us for wanting more information on the number of loans that are modified, the race of the borrowers who receive loan modifications, and if those modifications actually result in the homeowner staying in their home, or if a disproportionate number of African Americans and other Americans of color receive loan modifications that last a year or less and only serve to drain more equity from the consumer.

In closing, I would like to again thank the Chairman and all of your colleagues again for all you have done to address the mortgage foreclosure crisis. I hope to

continue to work with you to aggressively address the problems facing a growing number of Americans, and most importantly to keep people and families in their homes.